

Report of the City of Richmond Hill Council Compensation Review Committee

Term of Office: November 15, 2022 - November 14, 2026

Mandate of the Committee:

The mandate of the Committee is to produce an independent report with recommendations for the level of total compensation for the Council for the term of office following the 2022 Municipal Election.

Purpose of the Report:

The purpose of this report is to provide Council with information gathered and considered by the Council Compensation Review Committee in support of the recommendations contained in this report and presented to Council for consideration.

Recommendations:

The Council Compensation Review Committee ("the Committee") makes the following recommendations to the City of Richmond Hill Council:

1. That increases in compensation for members of the City of Richmond Hill Council for the 2022 to 2026 Term of Council should be aligned with increases provided to non-unionized City Staff, including an increase of 1.70% effective January 1, 2023, with an annual cap of up to 2.25% in subsequent years (effective date of the increases - January 1, 2024, January 1, 2025 and January 1, 2026).
2. That the remuneration by-law or policies for Council include the following provision:
 - (a) A Member of Council who is appointed Acting Mayor for a consecutive period greater than one (1) month shall be entitled to receive the same remuneration payable to the Mayor, provided that any increase in remuneration shall only begin on the first day of the second month. For greater certainty, an Acting Mayor shall not receive the same remuneration as the Mayor for any service as Acting Mayor that is less than or equal to one (1) month in duration.
3. That the current benefits provided to members of the City of Richmond Hill Council be maintained without any adjustments.
4. That the Member of Council Severance Remuneration By-law No 79-91, be repealed and replaced with a new Severance Remuneration By-law, to come into effect on November 15, 2022, with the following provisions:
 - (a) Subject to paragraph (b), the amount of severance payable shall be an accumulated amount calculated at the rate of one month's current remuneration at the time the Member ceases to be a Member for every consecutive year of service on

Council or part thereof to a maximum severance remuneration equal to eighteen (18) months current remuneration, subject to the following conditions:

- (i) A Member of Council shall only be entitled to receive severance remuneration if he or she is defeated in a regular municipal election and has not been reelected to Council. For greater certainty, and notwithstanding the generality of the foregoing, a Member of Council shall not be entitled to receive any severance remuneration in the event that he or she resigns as a Member of Council; does not seek reelection in a regular municipal election; retires as a Member of Council; or, ceases to be a Member of Council as a result of any judicial or other legal proceedings or disqualification under the operation of any federal or provincial legislation;
 - (ii) Severance remuneration shall not be paid to the estate of a Member of Council in the event that the Member dies while in office; and,
 - (iii) The severance remuneration for partial years of Council membership shall be prorated;
 - (iv) A Member who is charged with legal wrongdoing shall not receive severance remuneration until such charges are withdrawn or the Member is acquitted
- (b) (b) Where a Member of Council who is entitled to severance remuneration in accordance with paragraph (a) was at the time that they ceased to be a Member of Council, entitled to additional remuneration as Acting Mayor, the severance payable to that Member shall be calculated based on the Member's salary if they were not Acting Mayor.
- (c) (c) A person who is a Member of Council on the date the new severance by-law comes into effect (November 15, 2022) shall not be entitled to severance under any predecessor by-law, but any prior service shall be included in the calculations of the Members of Council's consecutive service.
- (d) (d) For greater certainty, and notwithstanding anything in paragraph (a) to the contrary, a Member of Council who has received severance under the new or any other predecessor by-law shall not be entitled to receive severance for any past service already paid out by the City.
- (e) (e) Any severance remuneration paid under the severance by-law shall not be subject to any deduction because of membership in the Ontario Municipal Employees' Retirement System or any additional or alternative retirement system in effect at that time.

5. A similar Committee to review and make recommendations regarding Council's compensation should be established in the year preceding the next municipal election year as was done for this review.
6. Future Committees should continue to be provided with relevant comparative compensation data (Appendix A) at the inaugural meeting, as it facilitates a more efficient and effective review process.

Committee Structure and Review Process

When the Committee first met in February 2022, it was composed of five citizen members who were, in accordance with the Terms of Reference, selected by the Commissioner of Corporate and Financial Services, the City Clerk and the Director of Human Resources. Regrettably, one Committee member was only able to attend one meeting and subsequently left the Committee. Due to the timeframes to report to Council as directed by Council on September 13, 2021, the Committee continued to meet with the following members:

Chair: Pat Legris
Members: Brian Presement (Vice-chair)
Michael Taggart
Yoke Wong

The Committee's inaugural meeting was held on January 26, 2022. City Staff reviewed the mandate of the Committee, provided background information and responded to the Committee's questions. The Committee met on at least three occasions as a group with City Staff between January and April 2022. Additionally, several electronic e-mail exchanges occurred between Committee members to review information provided by City Staff and gathered by the Committee.

Review of Compensation

The focus of the Committee was centered on the overall competitiveness of the total compensation package for elected officials including the Mayor, Regional and Local Councilors, and Ward Councilors, and to modernize the council compensation package.

Guiding Principles

The Committee set the following principles to guide its decisions with respect to the compensation recommendations:

- Attracting and retaining talented, experienced and engaged candidates for City Council positions is important for the current and future development of the City. Compensation plays an important role in attracting and retaining talent; however, it should not be the primary motivating factor.

- The compensation package should be market competitive with surrounding municipal government practices and selected comparator municipalities.
- The compensation package should provide fair and reasonable compensation for the role and be commensurate with the level of responsibilities and accountabilities of an elected official.
- The compensation package should align with the City's objectives of fiscal responsibility.
- The compensation package should be responsive to changes in Human Resources practices and Council composition as well as reflect residents' general expectations of the appropriateness of Council compensation.

The Committee's definition of Total Compensation focused on traditional elements including:

- Base salary - both local and regional pay,
- Car allowance, and
- Other cash and non-cash compensation (e.g. benefits, severance remuneration)

For clarity, the Committee does not consider the Constituency Allowance/Budgets, Administrative Support or other City resources to be elements of the total compensation package as they are viewed by Committee members as tools and resources to assist elected officials in fulfilling their duties.

In considering the appropriate compensation package for elected officials, it is the Committee's opinion that running a "corporation" the size of the City of Richmond Hill might require full time effort, and Members of Council are indeed considered full-time .

That said, the Committee noted that any concern relating to individual employment preference or the amount of time an elected official dedicates to fulfilling their responsibilities is an electorate issue and as such, is beyond the purview of this Committee.

Context

The following information is a summary of the economic, financial and non- financial data gathered by City Staff at the Committee's request.

Council Composition, Compensation

For the year 2021, the City of Richmond Hill approved an operating budget just under \$185 million and just under \$38 million in capital spending. It has nine elected officials (one Mayor, two Regional and Local Councillors and six Ward Councillors) and employs approximately 870 full-time employees. The City's population was 208,270 based on 2021 reporting.

For ease of reference, the current level of cash compensation is detailed in the chart below. Please note that all figures below are annualized to eliminate the issue of a tax-free allowance

component. The tax-free component of an elected official is no longer a practice permitted in municipalities as of January 1, 2018.

2022	Mayor	Regional and Local Councillor	Ward Councillor
Base Pay	\$137,638	\$82,581	\$82,581
Regional Pay	\$60,405	\$60,405	n/a
Total Pay	\$198,043	\$142,986	\$82,581

Comparison with Other Municipalities

The Committee reviewed municipal financial information, compensation information and census data for several towns and cities in Ontario, particularly in the Greater Toronto Area. City staff provided a comprehensive survey that encompassed many components accurate as at 2021 including municipal information, council size, population numbers, councillors’ remuneration, other compensation comparators (car allowance, insurance, retirement plan, health and medical benefits), and severance.

The 2021 survey covered six municipalities: Richmond Hill, Markham, Vaughan, Brampton, Mississauga and Oakville. No one municipality in the survey matched Richmond Hill in every component and thus it was challenging to make a straight-out comparison. Whereas council salaries closely matched with a few comparator municipalities, their population, operating budgets and capital budgets for those same municipalities varied considerably. Similar variations are observed in household incomes, council composition and so on.

The Committee had access to a similar survey done in 2017 that included the same six municipalities and four others namely Newmarket, Aurora, Barrie, Kitchener. Although the data is dated, it was informative for background purposes.

Members of Council participate in the same benefit program as City Staff. Benefits include pension, life insurance, accidental death & dismemberment, disability, health and dental. It should be noted that the core benefits for Members of Council are 100% paid by the employer, in this case the municipality of Richmond Hill. Given that the level of benefits is comparable with those provided to elected officials in other municipalities, leveraging the benefit programs available to City Staff is a cost-effective way to deliver benefits to elected officials.

Market Information

A primary influencer on salary increases is the Cost of Living Index (i.e. the cost of maintaining a certain standard of living), which ties to the Consumer Price Index (i.e. the price of a typical basket of goods).

Salary increase projections for the upcoming year are available to City Staff through the salary surveys which they participate in. This information is used to determine the appropriate salary increases proposed to Council with respect to non--unionized City Staff.

In Appendix A, the information under Other Compensation shows Salary Increase Projections from the City staff. The forecasts are reflective of the committee's recommendations in this report, although some adjustment was made to reflect the reality of what salary increases would be, given what the Cost of Living Index is projected to be and other factors such as the 2021 Median Income of All Household Types, and the YTD Average Housing Costs in 2021. These figures are all Richmond Hill based and are available for review in Appendix A.

The Committee was provided City of Richmond Hill's non-union salary schedules for Jan-2021 for salaries that closely matched the current salaries of Members of Council to understand the non-union job titles and implied qualifications for said jobs. The Mayor's current base pay fits into the salary range of non-unionized city staff Grade 8 which cover Senior Managers and Managers of many city departments. The Councillor's current base pay fits into the salary range of non-unionized city staff Grade 5 covering various professional categories including legal, finance, technology, administration, and project management.

The Committee also accessed average and median employment income data for the province of Ontario from Statistics Canada for information purposes only.

Historical Increases

The Committee noted that increases in the Council's cash compensation during the current term of office (to date) were appropriate in its view, aligned with salary increases provided to non-union City Staff and fell within the recommended 2.25% annual maximum cap recommended by the previous committee.

Based on the information gathered during the review process and consistent with the prior compensation review, this Committee believes that the current compensation level of Council is appropriate. Furthermore, given that the benchmark data did not divulge any glaring discrepancies in the positioning of total compensation with our City against the comparator groups, (see Appendix A) the Committee felt that it was reasonable to support a compensation increase in line with the percentage increases approved and the timing for non-unionized City Staff subject to an annual cap.

Given the current economic climate and in line with goals of fiscal responsibility, the Committee acknowledges the limitations in establishing long-range planning guidelines with respect to salaries when extensive and future market data is unknown.

Salary Recommendations

Having reviewed all of the above noted information:

- 1) the Committee recommends that there be no adjustment to the base salaries provided to the members of Council. That said, the Committee recommends that the salaries paid to Member of Council be increased by the same percentage provided to non-union City staff beginning on January 1, 2023, with a maximum annual cap of 2.25%.**

The recommendation reflects the current economic situation that municipalities face due to COVID-19 impacts, and the increased government expenditures and inflation rates that are unprecedented in 22 years. Even though inflation is running extremely high compared to the last 20 years, it is imperative that the Committee does not add to inflationary pressures locally but rather show leadership to the citizens of the municipality by keeping compensation levels to what the normalized historic inflation levels are. To do otherwise would be a bad business practice and a failure of civic leadership.

2) the Committee recommends that Council establish rules that will provide appropriate compensation to an Acting Mayor who assumes this role for a period greater than 1 month.

Council may appoint a Member of Council as the Acting Mayor to assume, for a period of time, the Mayor's responsibilities as the head of Council and as the chief executive officer of the City of Richmond Hill.

Normally when a city employee takes on an acting role, the employee's salary is automatically adjusted during that period to the salary of their new role.

There is currently no formal policy that governs the remuneration for the Acting Mayor. The Committee opines that a salary adjustment for the Acting Mayor is fair for the increased responsibilities that are over and above that of their elected Council position. The Committee acknowledges that this salary adjustment might have financial implications to the city; however, the Committee deems it to be a fair and justified expenditure.

Other compensation components (e.g. car allowance, benefits) would not change for the Member of Council while serving as the Acting Mayor.

The recommendation for Acting Mayor compensation is as follows:

A Member of Council who is appointed Acting Mayor for a consecutive period greater than one (1) month shall be entitled to receive the same remuneration payable to the Mayor, provided that any increase in remuneration shall only begin on the first day of the second month. For greater certainty, an Acting Mayor shall not receive the same remuneration as the Mayor for any service as Acting Mayor that is less than or equal to one (1) month in duration.

Car allowance recommendation

The Committee does not have a recommendation for the car allowance, which currently provides the Mayor with the use of a city-owned vehicle and a monthly allowance to other Members of Council. The Committee compared the current car allowance with that of comparator municipalities (as provided in the comprehensive survey) and determined that the current options and amounts are appropriate and sufficient for the travel needs.

Benefit Recommendations

The Committee generally considers the non-salary benefit package provided to Members of Council to be appropriate. The Committee reviewed but did not have recommendations for changes to the Pension, Short Term Disability, Long Term Disability, Insurance and other Health and Medical benefits. However, the Committee had examined the severance package in great detail and is recommending changes to bring it to today's standard of fiscal responsibility and public acceptance as further discussed below.

Severance Recommendations

Richmond Hill's severance bylaw was first enacted in 1991 and amended in 2001. The 20-plus year old severance policy allows for a variety of scenarios providing financial compensation for Members of Council who leave voluntarily or otherwise including death, retirement, resignation, failed re-election. In addition, it allows severance to be paid when a Member of Council resigns (thereby receiving the monies) and then gets re-elected to the very next term of council (thereby immediately resuming their salary on Council).

For context, under the 1991 severance bylaw, an estimated 51 months of severance compensation was paid to ten (10) departing Members of Council. Under the amended 2001 severance bylaw (which increased the maximum payout period from 6 to 18 months), so far an estimated 147 months of severance compensation had been paid to eleven (11) departing Members of Council. As at 2022 under the existing severance bylaw, the City of Richmond Hill is liable for another estimated 77 months of severance compensation to its current Members of Council. The severance payouts (1 month for each consecutive year of service) are based on their current salary even though their salary in past years may be significantly lower eg. salary in 2022 vs salary in 2004 [Note: estimations are based on information of Richmond Hill City Council members and their service period available to the public on the internet https://en.wikipedia.org/wiki/Richmond_Hill_City_Council#cite_note-24 (accessed by the Committee on April 2022)]

The Committee discussed severance practices in government and private sectors. Severance packages for government employees are often a subject of residents' disapproval, as evident in reported cases of small to large severance payouts in comparator municipalities, likely contributing to the removal of the severance benefit in one comparator municipality. The comparator survey indicates that several comparator municipalities do not provide severance to departing members of council. In general, within the private sector, employees do not receive severance payouts when they retire or resign or due to death, regardless of their position or length of service at their organization. As the City of Richmond Hill is itself a corporation with hundreds of employees including Members of Council who are elected and receive compensation during their term of office, the Committee deems that the eligibility criteria of the Richmond Hill's severance package for Council do not reflect responsible spending of public monies.

Following a lengthy and thoughtful discussion that included guidance from City staff leadership, the Committee felt it necessary to bring the severance policies in line with general corporate severance policies. In essence, the Committee concluded that the severance package should be eligible to Members of Council who leave involuntarily due to a loss in a re-election and that it should not be eligible in all other scenarios (including but not limited to legal wrong-doings, resignation, retirement, death, election to other government positions) some of which circumstances are supported via other programs such as retirement pension, disability benefits, life insurance, and so on.

The Committee thus recommends a revision of the 20-plus year old severance policy as follows:

That the Member of Council Severance Remuneration By-law No 79-91, be repealed and replaced with a new Severance Remuneration By-law, to come into effect on November 15, 2022, with the following provisions:

- (a) Subject to paragraph (b), the amount of severance payable shall be an accumulated amount calculated at the rate of one month's current remuneration at the time the Member ceases to be a Member for every consecutive year of service on Council or part thereof to a maximum severance remuneration equal to eighteen (18) months current remuneration, subject to the following conditions:
 - (i) A Member of Council shall only be entitled to receive severance remuneration if he or she is defeated in a regular municipal election and has not been reelected to Council. For greater certainty, and notwithstanding the generality of the foregoing, a Member of Council shall not be entitled to receive any severance remuneration in the event that he or she resigns as a Member of Council; does not seek reelection in a regular municipal election; retires as a Member of Council; or, ceases to be a Member of Council as a result of any judicial or other legal proceedings or disqualification under the operation of any federal or provincial legislation;
 - (ii) Severance remuneration shall not be paid to the estate of a Member of Council in the event that the Member dies while in office; and,
 - (iii) The severance remuneration for partial years of Council membership shall be prorated;
 - (iv) A Member who is charged with legal wrongdoing shall not receive severance remuneration until such charges are withdrawn or the Member is acquitted
- (b) Where a Member of Council who is entitled to severance remuneration in accordance with paragraph (a) was at the time that they ceased to be a Member of Council, entitled to additional remuneration as Acting Mayor, the severance

payable to that Member shall be calculated based on the Member's salary if they were not Acting Mayor.

- (c) A person who is a Member of Council on the date the new severance by-law comes into effect (November 15, 2022) shall not be entitled to severance under any predecessor by-law, but any prior service shall be included in the calculations of the Members of Council's consecutive service.
- (d) For greater certainty, and notwithstanding anything in paragraph (a) to the contrary, a Member of Council who has received severance under the new or any other predecessor by-law shall not be entitled to receive severance for any past service already paid out by the City.
- (e) Any severance remuneration paid under the severance by-law shall not be subject to any deduction because of membership in the Ontario Municipal Employees' Retirement System or any additional or alternative retirement system in effect at that time.

Conclusion

It is the Committee's opinion that the recommendations put forth in this report will not hinder the City's efforts in attracting the appropriate mix of talent needed to run the City for the next term of office. The Committee supports the general view that individuals running for public office do so for altruistic reasons and have a desire to serve their community, and are not driven by the remuneration of the elected position. The remuneration package along with the Committee's recommendations is fair, current and fiscally responsible.

The City has continued with its support of the independent compensation review process and the Committee recommends that this approach be adopted again prior to the next term of Council beginning on November 15, 2026.

Acknowledgements

The Committee would like to acknowledge and thank all the individuals who provided their time and support during this process. All requests made by its members to the staff and leadership of city departments, including the Commissioner of Corporate and Financial Services, the Director of Human Resources and the Director of Legislative Services/City Clerk were forthcoming and invaluable to the conclusion of this process.

Respectfully submitted,

Pat Legris (Chair)

Brian Presement (Vice-Chair)

Michael Taggart

Yoke Wong

Council Compensation Review Committee
Report to Council
May 18, 2022

The author of this report acknowledges that any under reporting, omissions or misunderstanding of the committee's discussion, deliberations, understandings of the committee's views and wishes during the review process, the writing of this report is the author's responsibility and not that of the other committee members. The author knows and understands that it is the committee's wish to have a report which reflects the best efforts and intentions made by the members in reviewing this important issue for the City of Richmond Hill.

Attachments

Appendix A - 2021 RH Council Remuneration Report.xlsx (includes Compensation & Benefits)

Appendix B - Benefit Coverage Summary - Council.xlsx (includes policy details)

Appendix C - B079-1991 - Severance Remuneration for Members of Council.pdf

Appendix D - B138-2001 - Amending Severance Remuneration for Members of Council.pdf